CLEVELAND PUBLIC LIBRARY
BUSINESS INF. SUB.
CORPORATION FILE

1960

TEN-YEAR SUMMARY

1951	1952	1953 (53 weeks)	1954	1955	1956	1957	1958
$1,454,643	1,639,095	1,751,820	1,813,517	1,932,243	1,989,305	2,117,314	2,225,352
13,319	17,094	29,620	28,831	27,330	53,361	65,018	69,874
5,703	9,762	15,075	14,847	13,708	27,955	34,111	36,468
7,616	7,332	14,545	13,984	13,622	25,406	30,907	33,406
.52%	.45	.83	.77	.70	1.28	1.46	1.50
$ 1,238	1,642	1,914	1,915	2,272	1,941	1,392	1,197
6,786	6,796	7,091	8,336	8,386	8,819	10,767	13,461
(408)	(1,106)	5,540	3,733	2,964	14,646	18,748	18,748
$ .75	.67	1.44	1.17	1.08	2.14	2.48	2.63
.80	.80	.80	.80	.80	.80	.90	1.10
7.93	10.48	9.81	11.29	9.10	9.20	9.33	8.64
9.86	9.68	10.41	10.77	11.02	12.63	14.30	15.52
$ 67,254	89,396	91,381	117,889	95,585	105,964	113,347	106,173
1.39	1.63	1.64	1.95	1.57	1.80	1.90	1.81
83,643	82,537	96,990	112,458	115,681	145,513	173,688	190,871
38,000	41,060	46,836	49,887	54,257	54,949	57,356	59,555
24,501	28,635	35,416	38,253	39,315	39,316	43,224	54,917
2,125	2,092	2,037	1,998	1,988	1,981	2,033	2,117
$ 676	757	825	877	951	976	1,029	1,050

Notes:

(1) In thousands of dollars.

(2) Dividends of $287,757 declared in 1958 and paid on April 1, 1959 are shown in the 1959 column only.

(3) Dividends of $3,688,349 declared in 1958 and paid on 1/31/59, 2/28/59 and 3/31/59 are shown in the 1959 column only.

	$ 33,406
	25,270
	7,175
	432
	$ 66,283
	$ 18,635
	403
	38,762
	8,483
	$ 66,283

SAFEWAY MEATS

SAFEWAY STORES, INCORPORATED

EXECUTIVE OFFICES

Fourth and Jackson Streets, Oakland, California

TRANSFER AGENTS: The Chase Manhattan Bank, New York, New York and the Crocker-Anglo National Bank, San Francisco, California.

REGISTRARS: First National City Trust Company, New York, New York and The Bank of California, National Association, San Francisco, California.

ACCOUNTANTS: Peat, Marwick, Mitchell & Co.

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ANNUAL MEETING: The 1961 Annual Meeting of the Common Stockholders will be held on May 16, 1961. In connection with this meeting, proxies will be solicited by the management. A notice of the meeting, together with a proxy statement and a form of proxy, will be mailed separately to Common Stockholders about April 7, 1961. This Annual Report does not constitute part of the proxy soliciting material.

SAFEWAY'S FINANCIAL HIGHLIGHTS

1959 (53 weeks)		1960
	OPERATING RESULTS (1)	
$2,383,011	Sales	$2,468,973
76,511	Profit before income taxes	75,178
40,810	Provision for taxes on income	40,360
35,701	Net profit	34,818
1.50%	Net profit as a percent of sales	1.41%
	DISTRIBUTION OF EARNINGS (1)	
$ 1,130 (2)	Dividends to preferred stockholders	$ 1,082
15,415 (3)	Dividends to common stockholders	17,676
19,156	Earnings retained in the business	16,060
	PER SHARE OF COMMON STOCK	
$ 2.80	Net earnings	$ 2.72
1.25	Dividends paid	1.42½
9.17	Working capital	8.68
17.40	Book value	18.71
	FINANCIAL POSITION (at end of year)	
$ 113,285	Working capital (1)	$ 107,911
1.86	Current assets per dollar of current liabilities	1.77
215,080	Equity of common stockholders (1)	232,606
	OTHER STATISTICS	
63,149	Number of employees (at end of year)	63,507
59,000	Approximate number of stockholders of record (at end of year)	59,000
2,164	Number of stores (at end of year)	2,207
$ 1,088	Average annual sales per store (1)	$ 1,101
	SOURCE AND USE OF FUNDS (1)	
	FUNDS PROVIDED FROM:	
$ 35,701	Net profit	$ 34,818
27,805	Depreciation provision	29,177
(7,112)	Decrease in working capital	5,374
(245)	Decrease in other assets	372
$ 56,149	Total	$ 69,741
	FUNDS USED FOR:	
$ 12,569	Dividends to Company stockholders	$ 18,758
(274)	Retirement of and from sale of capital stock (net)	13
36,833	Additions to fixed assets (net)	43,525
7,021	Reducing long term indebtedness	7,445
$ 56,149	Total	$ 69,741

1926

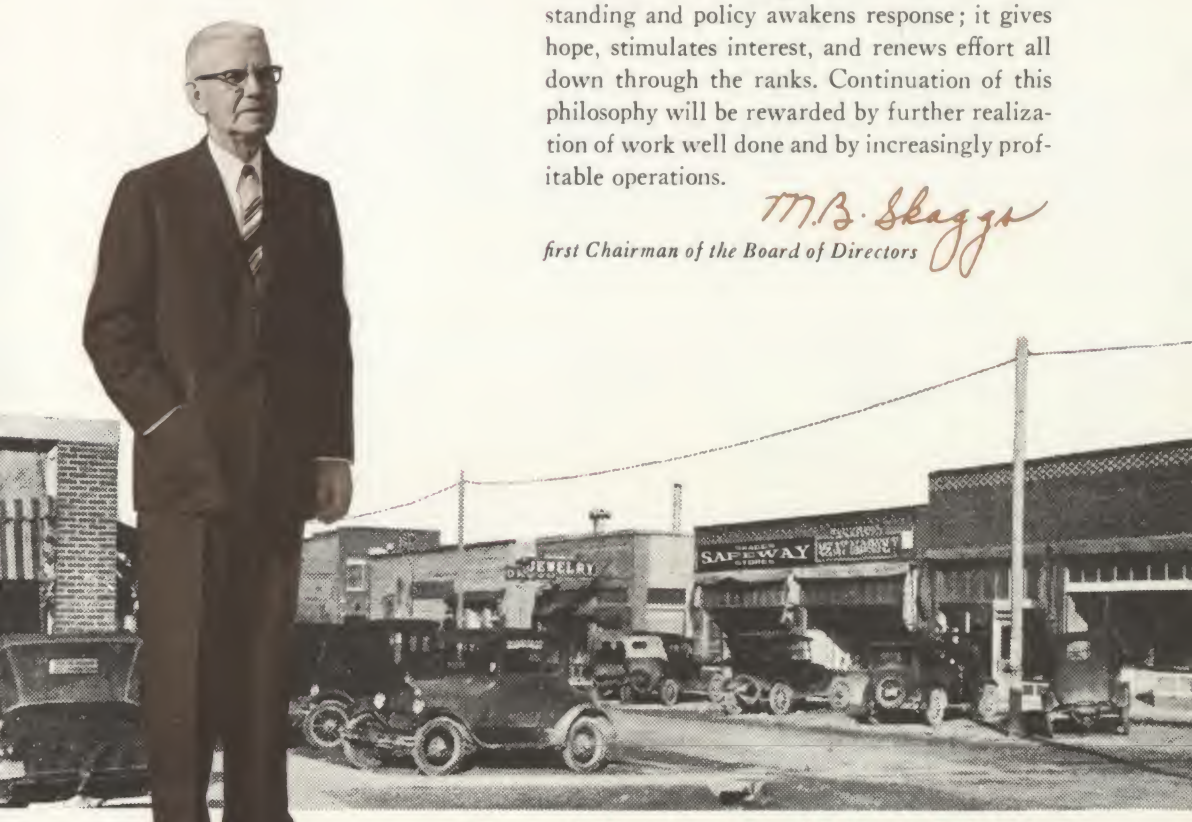
Foreword: Safeway's growth is, of course, especially meaningful to me. Memories make it so. I recall that first little store my minister father built to serve community needs about which he was concerned. A few months later when I became the sole proprietor, my concern was to profit through service in order that this new business venture could fulfill these needs.

Our first decade, which led to Safeway's incorporation in 1926, was an eventful one. Food stores then were beginning a new kind of retail enterprise and customer service. Looking back one realizes that meaningful growth, like memories, revolves even more around the persons who contribute than around the achievement itself.

I think the first and best asset of any corporation is the men and women who make up its operating personnel. Much of the improvement in Safeway's annual statements in recent years was occasioned by the new management's understanding of the interdependence of man and by a policy of rewarding merit. Such an understanding and policy awakens response; it gives hope, stimulates interest, and renews effort all down through the ranks. Continuation of this philosophy will be rewarded by further realization of work well done and by increasingly profitable operations.

M. B. Skaggs

first Chairman of the Board of Directors



Safeway's parent store #1, American Falls, Idaho

1960

ANNUAL REPORT · 35 · YEARS

TO OUR STOCKHOLDERS:

1960 was a good year for Safeway. Sales increased, for the tenth consecutive year, to a new high — to nearly $2.5 billion. Net profit was down slightly, to $34.8 million, due largely to a cost-price squeeze early in the year, but still was the second highest in the Company's history — exceeded only by 1959's 53-week record profit.

This Report tells briefly the story of the remarkable growth of Safeway, which this year is observing its thirty-fifth anniversary. In doing so, it is a privilege to honor Mr. M. B. Skaggs, the Company's first Chairman of the Board, who graciously consented to write the Foreword to this Report. The principles established by Mr. Skaggs in those early years have served and still serve as a foundation for the Company's progress.

In our "Review of 1960 Operations" are listed the accomplishments of the year just past — increase in sales, opening of new stores, plants, and distribution centers, training and development of employees, and development of new products.

The years ahead offer exciting opportunities for continued growth. Being retailers, we are reminded daily that satisfied customers have made Safeway's growth possible. "Mrs. Homemaker" will continue to reward those who satisfy her wants for more services, greater conveniences, and better products. The filling of these demands will require new and additional facilities, new ideas and methods, and — most of all — the vigorous application of the skills of every employee. Our industry faces an ever present challenge to make career opportunities available to men and women possessed of imagination, competency, determination and the will to succeed. I believe that selection, training, placement and development of people will always warrant our constant attention.

The growth attained over the past thirty-five years represents the achievements of the men and women of Safeway, both past and present — who now number 63,500. Safeway's future successes will be the result of their efforts and of the continued support of our stockholders and customers.

March 4, 1961
Oakland, California

Robert A. Magowan

President and Chairman of the Board of Directors

Safeway's last store opened in 1960, Los Gatos, California

Directors

ROBERT A. MAGOWAN
Chairman of the Board
J. G. BOSWELL, II
GEORGE T. BURROUGHS
NORMAN CHANDLER
HENRY B. CLAY
CHARLES DE BRETTEVILLE
HUGH FROST
ARTEMUS L. GATES
A. RUSSELL GRIFFITH
JOSEPH M. LONG
MICHAEL W. MCCARTHY
WILLIAM S. MITCHELL
MILTON L. SELBY
JACK I. STRAUS
BRAYTON WILBUR

Executive Committee

ROBERT A. MAGOWAN
Chairman
CHARLES DE BRETTEVILLE
JOSEPH M. LONG
MILTON L. SELBY
BRAYTON WILBUR

Officers

ROBERT A. MAGOWAN
President and Chairman of the Board of Directors
HENRY B. CLAY
Senior Vice President Retail Operations
WILLIAM S. MITCHELL
Senior Vice President Supply Operations
RALPH D. BROWN
Vice President Industrial and Public Relations
GEORGE T. BURROUGHS
Vice President Real Estate and Construction
HUGH FROST
Vice President Advertising, Personnel, Research
A. RUSSELL GRIFFITH
Vice President and Controller Accounting and Finance
J. W. RUPLEY
Treasurer
DRUMMOND WILDE
Secretary and Vice President General Counsel
J. A. ANDERSON
Vice President Washington (DC) Division Manager
R. L. CAMPBELL
Vice President Denver Division Manager
J. L. HEATHCOTE
Vice President Seattle Division Manager
D. B. KANE
Vice President Los Angeles Division Manager
QUENTIN REYNOLDS
Vice President San Francisco Division Manager

DIRECTORS AND OFFICERS

ROBERT A. MAGOWAN
President and Chairman of the Board of Directors

ANNUAL REPORT 35 YEARS

HUGH FROST
Director

ARTEMUS L. GATES
Director

A. RUSSELL GRIFFITH
Director

WILLIAM S. MITCHELL
Director

QUENTIN REYNOLDS

J. W. RUPLEY

J. A. ANDERSON

J. G. BOSWELL, II
Director

RALPH D. BROWN

GEORGE T. BURROUGHS
Director

R. L. CAMPBELL

NORMAN CHANDLER
Director

HENRY B. CLAY
Director

CHARLES DE BRETTEVILLE
Director

J. L. HEATHCOTE

D. B. KANE

JOSEPH M. LONG
Director

MICHAEL W. McCARTHY
Director

MILTON L. SELBY
Director

JACK I. STRAUS
Director

BRAYTON WILBUR
Director

DRUMMOND WILDE

REVIEW OF 1960 OPERATIONS

Sales Increase The Company's sales in 1960 totaled $2.47 billion. The increase over 1959's 53-week sales was 3.6%, or at the *rate* of 5.5% on a 52- versus 52-week basis.

Net Profit Net profit after income taxes amounted to $34.8 million, exceeded only by 1959 net profit of $35.7 million. After providing for preferred dividends, 1960 earnings per average common share outstanding amounted to $2.72, as compared to $2.80 for 1959.

During the early months of 1960, earnings were contained by a cost-price squeeze. Beginning with the second period, however, this condition relaxed somewhat, with the result that net profit and earnings per share improved and added significantly to the year's totals as shown below:

	Sales in Millions	Net Profit as a % of Sales	Earnings per Common Share
12 weeks ended March 26, 1960 . .	$ 547	1.18%	$ .50
12 weeks ended June 18, 1960 . . .	567	1.44	.64
12 weeks ended Sept. 10, 1960 . . .	576	1.47	.66
16 weeks ended Dec. 31, 1960 . . .	778	1.51	.92
	$2,468	1.41%	$2.72

Dividends For the fourth consecutive year, the Board of Directors raised the dividend on common stock. The annual rate now is $1.50 per share as compared to 80c in 1956. Safeway has paid

In the center photo above, M. B. Skaggs lights Safeway's 35th birthday candle while President Magowan approves. At left and right, 11-year-old stockholder Deborah Brown inspects a meat aging room and the automatic accounting machine that prints shareholder dividend drafts.

dividends on its common stock every year beginning with 1927, the first full year following incorporation in 1926.

Financial Position Working capital of $107.9 million at year-end was adequate. The ratio of current assets to current liabilities of 1.77 to 1 was satisfactory. Although merchandise inventories increased during the year by $7.5 million, the ratio of sales to inventories improved from 14.6 times for 1959 to 14.8 times for 1960. Inventories increased 4.6% while sales increased at the *rate* of 5.5%.

The common shareholders' equity at the end of 1960 reached a new high of $232.6 million. This was equivalent to $18.71 per share of common stock outstanding.

Retail Stores Continued replacement of old stores with new ones further reduced the average age of the Company's retail facilities. Approximately 60% of all stores occupied are less than 10 years old. One hundred ninety-one new stores were opened in 1960 and 148 old ones were closed. Of the new stores opened, 165 were in the United States and 26 in Canada. Safeway's first stores were opened in Alaska and northwestern Louisiana. As of December 31, 1960, the Company had 2,000 stores operating in 28 states and the District of Columbia in the United States and 207 stores operating in the five western Provinces of Canada. At year-end, nine stores were under construction in Canada and 66 in the United States, including one in Delaware which will become another new state for Safeway.

Store design and location and marketing research functions have been expanded and are concentrated on improvement of retail facilities, customer service, and merchandise handling methods.

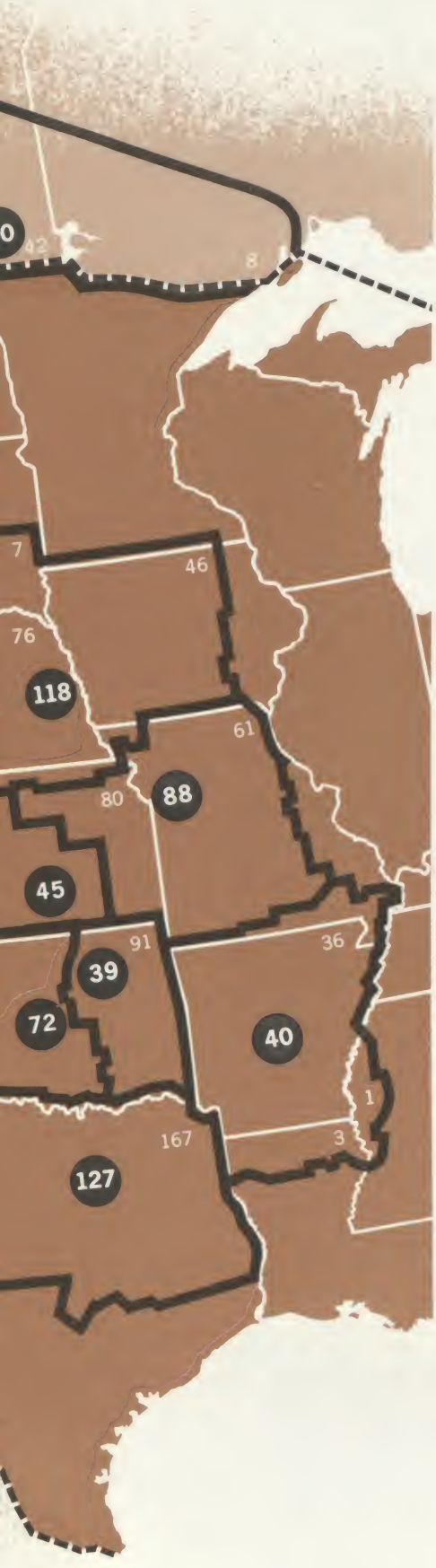
The average cost of construction of our 1960 stores was under the indicated average reported for the supermarket industry. Close attention to design, materials, and construction procedures achieved savings without sacrifices in building quality.

continued on page 10

At left is founder Mr. Skaggs in the neatly-stocked parent Store No. 1 and at right a modern Safeway continues to emphasize pleasant interior display and friendly personnel. Center photo shows how location data are plotted on maps, part of Safeway's extensive research.

This map locates Safeway's 25 Retail Division boundaries. Numbered black dots show each Division's headquarters and number of stores. White lines and numerals show boundaries of States or Provinces and the number of stores in each. Listed are Safeway's Retail Division Managers with their headquarters keyed to the map by smaller dots matching those shown on the map.

SAFEWAY'S RETAIL OPERATIONS



Retail Division Managers

J. A. ANDERSON	Washington (DC) Division	199
C. A. BRADBURN	Dallas Division	127
R. L. CAMPBELL	Denver Division	153
C. C. FOSTER	El Paso Division	48
W. F. GRIFFITHS	Winnipeg Division	50
J. L. HEATHCOTE	Seattle Division	111
W. A. HEMBROFF	Alberta Division	56
K. W. HUNTINGTON	Little Rock Division	40
D. B. KANE	Los Angeles Division	199
W. J. KRAFT	Vancouver Division	74
W. RALPH LOW	Wichita Division	45
G. M. MANGAN	Portland Division	98
MERLE E. MANTLE	San Diego Division	42
E. L. McINTOSH	Phoenix Division	41
W. E. MURRAY	Butte Division	48
VIRGIL NEEDHAM	Omaha Division	118
GUS H. PARKER	Spokane Division	47
L. M. PRINGLE	New York Division	170
QUENTIN REYNOLDS	San Francisco Division	166
FRED E. ROWLAND	Tulsa Division	39
G. E. RUDOLPH	Saskatchewan Division	27
G. R. STAFFORD	Sacramento Division	78
R. E. TEMPLEMAN	Oklahoma City Division	72
J. M. TUDOR	Kansas City Division	88
W. E. WILLIAMS	Salt Lake City Division	71

REVIEW OF 1960 OPERATIONS

New Plants Besides opening one of the nation's most modern instant coffee plants, a quickened pace of plant modernization was maintained in 1960. A new milk plant was placed in operation as were two ice cream plants. In Portland, our 18-year old bread plant was replaced by a new bakery. Two produce prepackaging plants were opened and an old one closed. In Vancouver, B.C., a new food processing plant replaced an older, less efficient one.

Distribution Centers During 1960 two Distribution Centers were opened, one at San Diego and another at Winnipeg; both replaced older and scattered warehouse facilities. Safeway now has seventeen Distribution Centers that provide modern facilities to receive and distribute merchandise to our retail stores. These serve two-thirds of the Company's stores. Plans are under way to develop six centers during 1961 and 1962, leaving only three divisions with facilities for which replacement plans have not yet been made.

The Company's building program for 1960 required net expenditures of $43 million for fixed assets. This program was financed out of depreciation to the extent of $29 million and $14 million from retained earnings.

Personnel Development During 1960 the Company organized an Executive Development Program to prepare outstanding store and district managers for broader assignments. This course is conducted exclusively by Company executives and covers all phases of management. The program consists of concentrated group study over a period of seven weeks. In 1960, three groups participated. A majority of these men have since advanced to

Above are yesterday's transports, loaded with merchandise for an early Montana store. Advances in trucking equipment and safety are illustrated as a modern Safeway truck delivers foods to 56,000 Boy Scouts encamped for the 5th National Jamboree in Colorado during 1960.

more responsible positions. Others are in the process of assignment. An additional group already has completed this study program in 1961.

Personnel training in all phases of retail and other operations has been accelerated throughout the Company. Through organized, practical on-the-job development of our employees, the Company has been able to further improve customer service. Additionally, many executives have been transferred between areas of our operations to broaden their experience and perspectives.

Product Development Today's advancing knowledge of nutritive and dietary food values rapidly creates healthful new foods. In 1960 the Company was among the first with three such developments. One of mankind's great foods — wheat — has more protein values than normally are absorbed; but an added protein, lysine, causes twice as much nutritive proteins to be released from bread. This ingredient became part of the recipe for a Skylark specialty bread which is one of the few such loaves now available to customers. A second such innovation was the introduction of two measured caloric dietary products — liquid and frozen Lucerne Slenderway. Safeway's was the first frozen measured caloric diet food and was developed by the Company's own laboratories. A third development involves refining processes that maintain higher linoleic acids and reduce hydrogenation or solid fats content. The Company during 1960 introduced Nu Made 100% pure corn oil for salads and Sunnybank corn oil margarine. Lucerne Delicatess Salads were introduced during 1960. Because delicatessen items utilize similar sanitation, refrigeration, laboratory controls, equipment, and trained personnel, they were added to the Company's milk plant operations. Special equipment was developed to wash, peel, dice, mix, cook and package automatically, assuring Safeway's salads maximum sanitation and uniform quality.

Above is an employee group in 1960 Executive Development Program that studied all phases of Safeway operations for broader future responsibilities. Center photo shows new Lucerne Delicatess Salads while pleased customers at right confirm that Safeway's the place for produce.

35 YEARS OF GROWTH

Annual Sales The Company's sales during 1960 neared $2½ billion which will represent another benchmark in Safeway's trend of almost uninterrupted growth in annual sales volume.

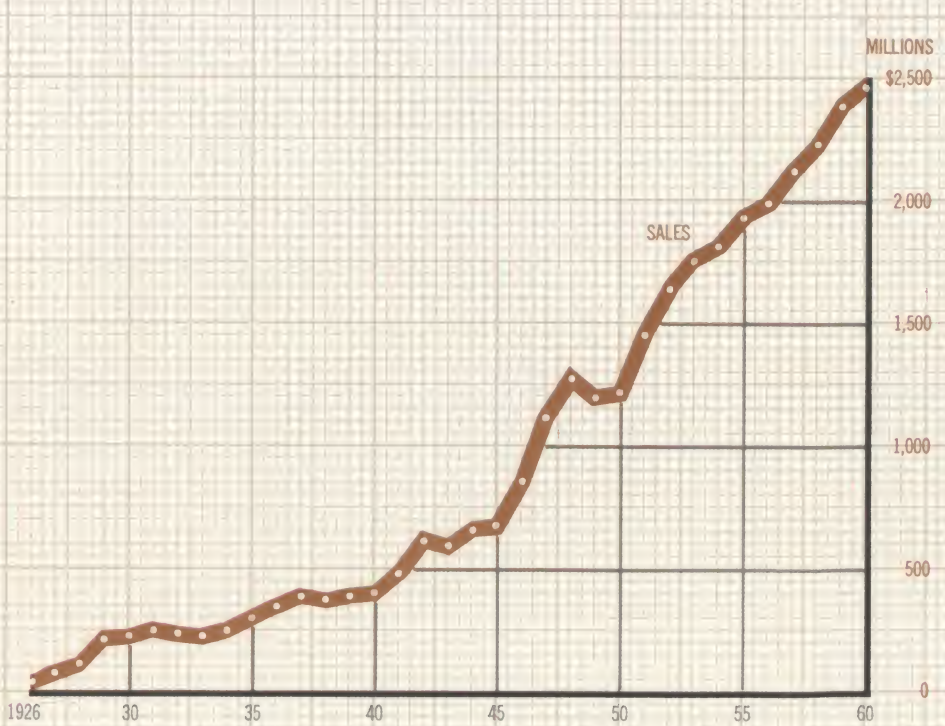
Starting with an annual volume of $70 million in the Company's first full year (1927), our sales history records major break-throughs in 1942 when sales first exceeded one-half billion dollars, in 1947 when sales rose above $1 billion, in 1952 when they passed $1½ billion, and in 1957 when sales broke through the $2 billion mark.

Only four times in Safeway's history has its upward sales trend been interrupted: once in the Great Depression years, again during World War II civilian shortages, and during the severe recessions of 1937-38 and of 1948-49. In the more recent set-backs of our national economy — 1953-54, 1957-58, and currently — Safeway's sales continued upward.

Part of this pattern of the Company's long-term growth, like that of other businesses, has been due to advances in prices of food and other products. During Safeway's 35 years, however, the levels of retail food prices have less than doubled whereas the Company's sales have expanded more than 35-fold.

From modest beginnings, Safeway has built upon its favorable location in the more rapidly expanding areas of the United States and Canada — in terms of both population and general economic growth. Favored by this background of opportunity, Safeway has progressively adapted its operations to modern methods of

		sales in millions
(6 mo)	1926	$ 30.1
	1927	69.6
	1928	103.3
	1929	213.5
	1930	219.3
	1931	246.8
	1932	229.2
	1933	220.2
	1934	243.0
	1935	294.7
(53 wks)	1936	346.2
	1937	381.9
	1938	368.3
	1939	385.9
	1940	399.3
	1941	475.1
(53 wks)	1942	611.1
	1943	588.8
	1944	656.6
	1945	664.8
	1946	847.8
	1947	1,117.1
(53 wks)	1948	1,276.8
	1949	1,197.8
	1950	1,210.0
	1951	1,454.6
	1952	1,639.1
(53 wks)	1953	1,751.8
	1954	1,813.5
	1955	1,932.2
	1956	1,989.3
	1957	2,117.3
	1958	2,225.4
(53 wks)	1959	2,383.0
	1960	2,469.0



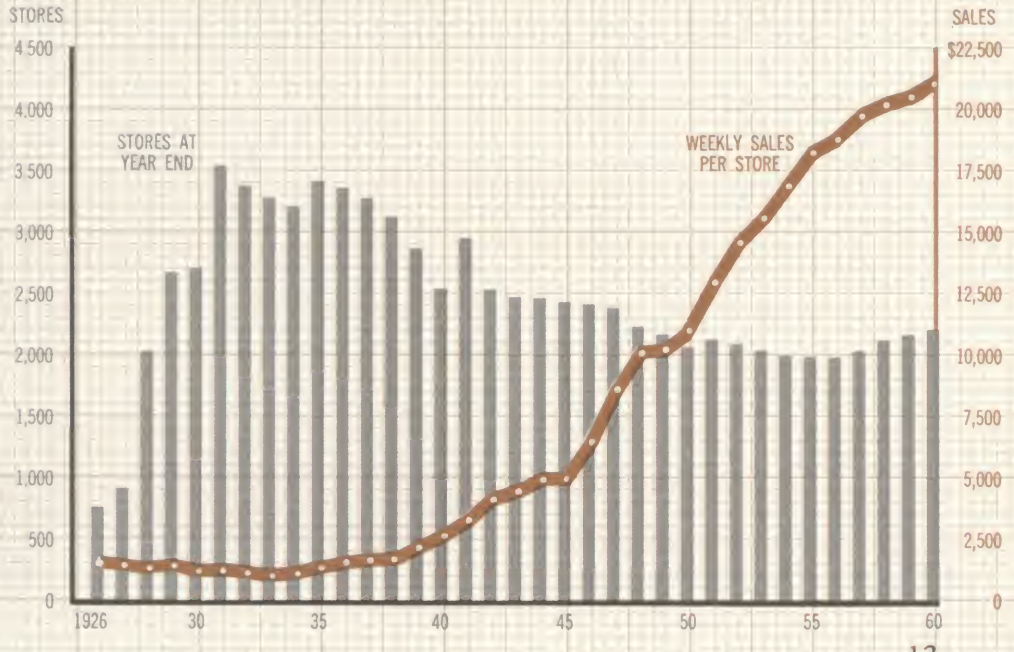
large-scale food distribution. The Company's success in this respect has been the patronage of a growing family of customers; and the result: a continuing upward trend in annual sales volume.

Number of Stores and their Average Weekly Sales During the past four years, increases both in the number of stores and in the average sales per store have contributed to Safeway's increased total sales.

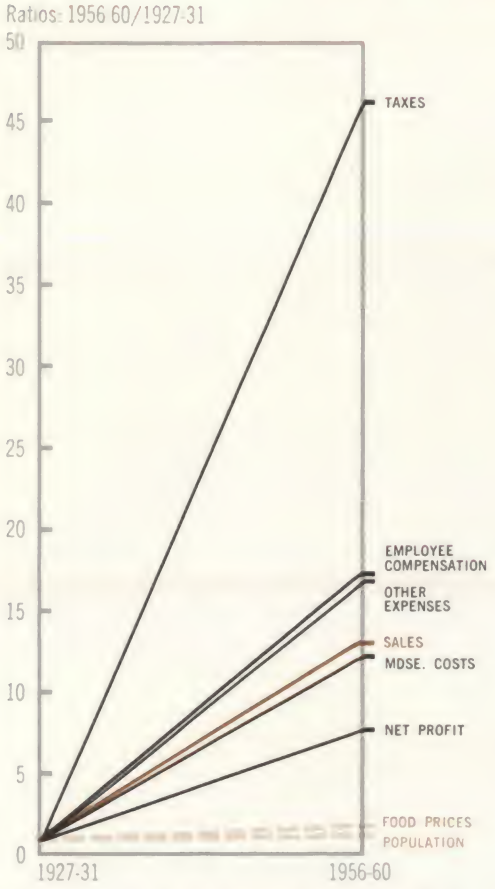
Starting with 766 stores at the end of 1926, the year of Safeway's incorporation, additional units were rapidly added until a peak of 3,527 stores was reached at year-end 1931. With numerous small stores, average sales volume was low and dropped during the Great Depression to $1,000 per week ($52,000 per year). Subsequent replacement of smaller, less efficient stores by larger ones — a general trend throughout the food retailing industry — along with rising prices and increasing family purchasing at grocery stores caused average sales per store to turn upward. Since 1933, Safeway's average weekly sales volume per store has increased *every year,* with the growth rate slowing significantly only during World War II and in the severe recession of 1949.

During these last four years, Safeway has reversed the downtrend in number of stores by its replacement and expansion program which is designed to keep pace competitively with the growing and shifting population. As a result, nearly 40% of the Company's stores are no more than five years old and over 60% are less than ten years old.

	year-end number of stores	weekly sales per store
1926	766	$ 1,500
1927	915	1,400
1928	2,020	1,300
1929	2,660	1,400
1930	2,691	1,200
1931	3,527	1,200
1932	3,370	1,100
1933	3,277	1,000
1934	3,201	1,100
1935	3,405	1,300
1936	3,347	1,500
1937	3,274	1,600
1938	3,112	1,700
1939	2,859	2,100
1940	2,528	2,600
1941	2,948	3,200
1942	2,530	4,100
1943	2,472	4,400
1944	2,463	4,900
1945	2,442	4,900
1946	2,413	6,400
1947	2,393	8,600
1948	2,240	10,100
1949	2,166	10,200
1950	2,072	11,000
1951	2,125	13,000
1952	2,092	14,600
1953	2,037	15,600
1954	1,998	16,900
1955	1,988	18,300
1956	1,981	18,800
1957	2,033	19,800
1958	2,117	20,200
1959	2,164	20,500
1960	2,207	21,100



Trends in Distribution of Sales Dollar and Profits During Safeway's 35 Years



Another perspective of Safeway's growth may be gained by looking at trends in major components of the Company's sales dollar. The 35-year span of Safeway's history permits a long-term comparison of its most recent five-year period (1956-60) with its first full five years (1927-31). Using averages to lessen the effects of year-to-year fluctuations during these first and last five-year periods, we find great changes have taken place over this 35-year span.

Safeway's *SALES* volume in the past five years has expanded to 13.1 times sales in the first full five-year period. Over this same span of years, retail food prices were only 1.9 times their index for the beginning period which indicates that the Company's sales in constant dollars or physical volume has expanded about 7 times. As a further comparison, even the often-mentioned growing U.S. population in 1956-60 was only 1.4 times 1927-31.

Safeway's *MERCHANDISE COSTS* (ingredients and finished products for resale) in the last five-year period have increased to 12.2 times the first five.

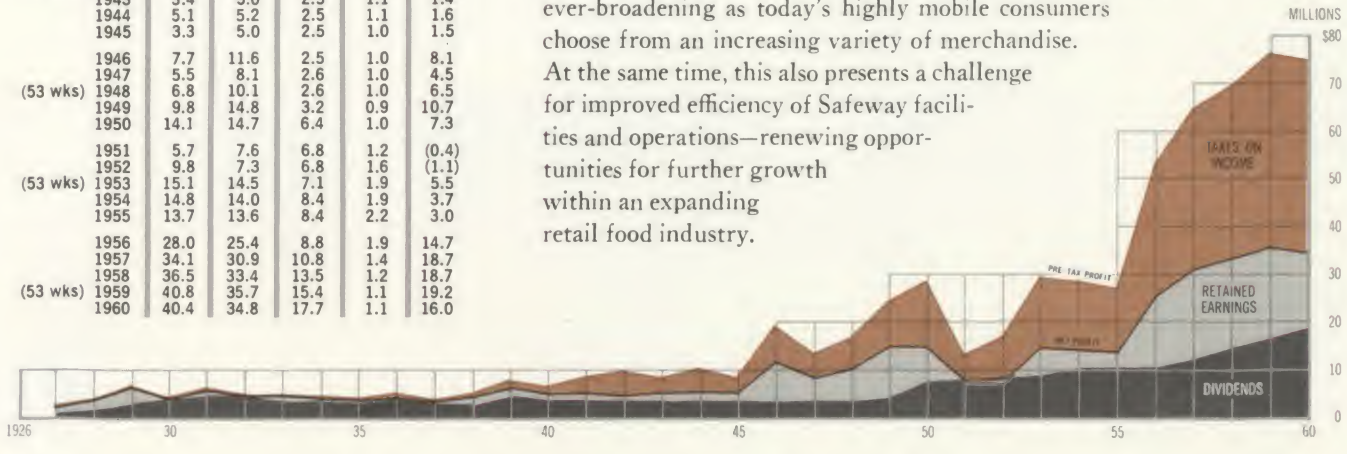
Safeway's payments for *EMPLOYEE COMPENSATION* (wages, salaries, and other benefits) by 1956-60 has risen to 17.3 times what they were in 1927-31; and *OTHER EXPENSES* (rent, utilities, etc.) to 16.9 times.

In the past five years, Safeway payments for Federal, State, Provincial, and local TAXES have amounted to 46.1 times what they were in the first five years. This ratio for taxes, startlingly higher than for sales or for any other expense category, helps account for the fact that 1956-60 *NET PROFIT* after taxes was only 7.7 times net profit in 1927-31.

These comparisons not only give a long-term illustration of Safeway's growth but also illustrate what might be termed the "cost-tax-price squeeze" that confronts industry generally. Taxes have become a significant charge levied directly upon a corporation for support of growing government at all levels. This is apparent in the comparisons above and in the 35-year history of the distribution of Safeway Pre-Tax Profit shown below. In the past five years, for example, 53% of the Company's pre-tax profit has been disbursed for taxes on income as compared with only 12% in the first five full years.

Safeway, like other food retailers, is particularly affected by the cost-price squeeze because of the intensely competitive nature of food distribution — a competition among modern supermarkets that is ever-broadening as today's highly mobile consumers choose from an increasing variety of merchandise. At the same time, this also presents a challenge for improved efficiency of Safeway facilities and operations—renewing opportunities for further growth within an expanding retail food industry.

		taxes on income	net profit after taxes	dividends: common	dividends: preferred	retained earnings
		IN MILLIONS				
	1927	$0.4	$1.9	$0.6	$0.2	$1.1
	1928	0.5	3.5	0.9	0.5	2.1
	1929	0.6	6.1	2.2	0.5	3.4
	1930	0.5	3.8	3.2	0.7	(0.1)
	1931	0.7	5.4	3.5	0.9	1.0
	1932	0.5	4.4	3.6	1.0	(0.2)
	1933	0.6	4.3	2.4	1.0	0.9
	1934	0.7	3.9	2.4	1.0	0.5
	1935	0.7	3.4	2.0	0.9	0.5
(53 wks)	1936	1.0	4.1	2.8	0.9	0.4
	1937	0.8	3.1	2.0	1.0	0.1
	1938	0.9	4.2	1.6	1.0	1.6
	1939	1.7	6.2	3.6	0.9	1.7
	1940	1.7	4.8	2.8	1.0	1.0
	1941	3.6	5.0	2.9	1.0	1.1
(53 wks)	1942	5.2	4.5	2.5	1.1	0.9
	1943	3.4	5.0	2.5	1.1	1.4
	1944	5.1	5.2	2.5	1.1	1.6
	1945	3.3	5.0	2.5	1.0	1.5
	1946	7.7	11.6	2.5	1.0	8.1
	1947	5.5	8.1	2.6	1.0	4.5
(53 wks)	1948	6.8	10.1	2.6	1.0	6.5
	1949	9.8	14.8	3.2	0.9	10.7
	1950	14.1	14.7	6.4	1.0	7.3
	1951	5.7	7.6	6.8	1.2	(0.4)
	1952	9.8	7.3	6.8	1.6	(1.1)
(53 wks)	1953	15.1	14.5	7.1	1.9	5.5
	1954	14.8	14.0	8.4	1.9	3.7
	1955	13.7	13.6	8.4	2.2	3.0
	1956	28.0	25.4	8.8	1.9	14.7
	1957	34.1	30.9	10.8	1.4	18.7
	1958	36.5	33.4	13.5	1.2	18.7
(53 wks)	1959	40.8	35.7	15.4	1.1	19.2
	1960	40.4	34.8	17.7	1.1	16.0



Additions to Fixed Assets and Depreciation Not only does competitive growth require replacement but there also must be constant modernization and expansion of facilities. Depreciation rates apply to historical costs and funds so generated fail to meet higher costs of replacement — let alone the additional costs of modernization and expansion. To sustain growth, therefore, depreciation must be supplemented by other funds.

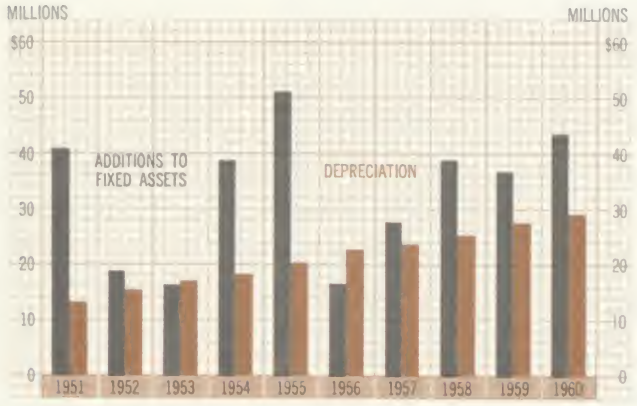
In the past ten years, Safeway has expended $329 million for additions to fixed assets, net—capital expenditures for new equipment in plants, warehouses, trucking, stores, etc. This does not include the real property costs of land and construction of store buildings, etc., which are financed by our "buy-build-sell-lease" program. During these ten years, depreciation on fixed assets generated only $213 million, requiring that the difference of over $100 million be provided from retained earnings and other sources.

Capital Investment Over the past ten years, total capital investment of Safeway has more than doubled — from $146 million at the beginning of 1951 to $302 million at the end of 1960. This includes common stockholder equity, preferred stock, and long-term debt but excludes, of course, the value of leaseholds under Safeway's "buy-build-sell-lease" program.

Since the mid-1950s, the preferred stock and long term debt portions of capital investment have been reduced by about one-half.

Common stockholder equity has risen accordingly — both in amount and as a proportion of total capital investment. Common equity at the end of 1960 was about double what it was at the end of 1955 and nearly triple the common equity at the beginning of 1951.

In terms of book value per share of common stock, this has meant an increase from $9.92 per share at the beginning of 1951, to $11.02 at the end of 1955, and further to $18.71 at the end of 1960.



		additions to fixed assets (net)	depreciation
		millions	millions
	1951	$40.9	$13.2
	1952	18.9	15.4
(53 wks)	1953	16.2	17.1
	1954	38.8	18.1
	1955	51.2	20.1
	1956	16.4	22.7
	1957	27.9	23.9
	1958	38.8	25.3
(53 wks)	1959	36.8	27.8
	1960	43.5	29.2

end of year	common stockholder equity	preferred stock	long term debt
	millions	millions	millions
1950	$ 84.1	$31.1	$30.4
1951	83.7	30.2	55.3
1952	82.6	49.7	63.1
1953	97.0	41.2	58.5
1954	112.5	55.0	77.5
1955	115.7	54.5	85.3
1956	145.5	39.9	74.4
1957	173.7	31.3	66.3
1958	190.9	28.5	57.8
1959	215.1	27.7	51.0
1960	232.6	26.3	43.6

ACCOUNTANTS' REPORT PEAT, MARWICK, MITCHELL & CO.

To the Board of Directors and the Shareholders of Safeway Stores, Incorporated:

We have examined the statement of consolidated financial position of Safeway Stores, Incorporated and all subsidiaries as of December 31, 1960 and the related statement of profit and loss and net income retained in the business for the fifty-two weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying statement of consolidated financial position and statement of consolidated profit and loss and net income retained in the business present fairly the financial position of Safeway Stores, Incorporated and all subsidiaries at December 31, 1960 and the results of their operations for the fifty-two weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

San Francisco, California
February 23, 1961

Peat, Marwick, Mitchell & Co.

FINANCIAL STATEMENTS

SAFEWAY

STATEMENT OF

As of December

	December 31, 1960	January 2, 1960
Current Assets:		
Cash	$ 50,686,861	$ 51,733,538
Accounts and notes receivable	8,989,127	7,977,753
Merchandise inventories — at lower of cost or market	170,785,974	163,313,485
Prepaid expenses	8,389,485	10,131,739
Properties for development and sale within one year under the Company's real estate program	9,100,523	12,158,773
Total Current Assets	247,951,970	245,315,288
Deduct Current Liabilities:		
Debentures payable	5,200,000	5,198,000
Accounts payable	85,390,670	78,876,083
Accrued expenses	22,756,128	22,769,785
Federal, Canadian and other income taxes	26,694,411	25,186,722
Total Current Liabilities	140,041,209	132,030,590
Working Capital	107,910,761	113,284,698
Notes Receivable and Miscellaneous Investments	3,211,847	3,481,040
Fixed Assets — at cost less depreciation of $146,637,289	190,680,324	176,332,357
Unamortized Debenture Issue Expense	411,325	513,782
Working Capital and Other Assets (Carried Forward)	$302,214,257	$293,611,877

NOTES TO FINANCIAL STATEMENTS

DEBENTURES PAYABLE: The debentures, redeemable at varying premium rates prior to maturity, consist of: parent $37,000,000 at 3.70% to 4.25% interest, maturing $5,000,000 annually, plus $1,000,000 sinking fund requirement annually to 1965 and then $3,000,000 annually to maturity in 1969; Canadian subsidiary, $3,131,000 at 4½% interest, maturing $200,000 annually, plus $120,000 sinking fund requirement annually to 1966 and then $360,000 annually to maturity in 1970 ($2,269,000 of debentures have been acquired to meet the 1961, 1962 and a portion of the 1963 sinking fund requirements).

Under the Indenture covering the parent's debentures, $75,977,271 of the net income retained in the business as of December 31, 1960 is restricted as to dividend payments and as to acquisition of its own stock. Certain other restrictions, including one upon creation of additional funded indebtedness, are imposed.

CAPITAL STOCK: The terms of issue of the parent Company's preferred stocks have sinking fund requirements which presently impose an annual retirement of 6,216 shares of the 4% preferred stock. The 4.30% preferred stock sinking fund requirement does not become operative until 1965. The preferred stocks are subject to redemption on call at a premium which is now 50 cents per share on the 4% and $1.00 per share on the 4.30%.

SAFEWAY STORES, INCORPORATED

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1960 ANNUAL REPORT

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CONSOLIDATED

STATEMENT OF PROFIT AND LOSS
and Net Income Retained in the Business

For the 52 Weeks Ended December 31, 1960 with Comparative Figures for the 53 Weeks Ended January 2, 1960

	1960	1959
Sales	$2,468,972,786	$2,383,011,483
Cost of Sales	1,964,661,750	1,911,577,966
Gross profit	504,311,036	471,433,517
Operating and Administrative Expenses	427,419,575	392,332,852
Operating profit	76,891,461	79,100,665
Other Deductions:		
Interest on debentures	1,822,213	2,118,492
Other charges (income) — net	(108,441)	470,983
	1,713,772	2,589,475
Profit before taxes on income	75,177,689	76,511,190
Provision for Federal, Canadian and other income taxes	40,360,000	40,810,000
Net Profit	34,817,689	35,701,190
Net Income Retained in the Business at Beginning of Period	136,395,791	113,222,945
	171,213,480	148,924,135
Deduct:		
Cash dividends:		
4.30% convertible preferred stock	80,073	73,470 *
4% preferred stock	1,001,916	768,384 *
Common stock	17,675,731	11,726,829 *
Additions resulting from stock conversions and acquisitions	(43,186)	(40,339)
	18,714,534	12,528,344
Net Income Retained in the Business at End of Period	$ 152,498,946	$ 136,395,791

* Does not include first quarter 1959 dividends which were declared and charged to Net Income Retained in the Business in 1958.

ADDITIONAL PAID-IN CAPITAL: Changes in 1960 consist of $476,803 excess of 4.30% preferred stock par value over that of common stock issued on conversion less $16,217 prorata share of original issue expense; $692,315 excess of proceeds over par value of common stock issued under options exercised; $146,911 discount on 4% preferred stock acquired.

EMPLOYEE RETIREMENT AND PROFIT-SHARING PLANS: Company payments into Employee Retirement Plan Trust Funds for the year amounted to $2,608,269 and to the Profit-Sharing Plan Trustee amounted to $4,775,000.

DEPRECIATION: The statement of profit and loss includes a charge for depreciation expense of $29,176,821 in 1960 and $27,804,474 in 1959.

CONTINGENT LIABILITIES, COMMITMENTS, ETC.:

(a) The liability upon completion of contracts for construction of buildings and purchase of land not reflected in the financial statements amounted to approximately $11,500,000.

(b) Property leases in effect number 2,904, of which 2,376 contain options to cancel. Should the Company exercise these options, it could be required to purchase 1,893 properties. The minimum annual rental for 1961 under all leases (some of which contain percentage of sales clauses) is approximately $43,000,000; this amount decreases annually until the year 2008 as leases expire.

(c) The accounts of the Canadian subsidiaries are consolidated as U.S. Funds at dollar for dollar.

STORES, INCORPORATED AND ALL SUBSIDIARIES

FINANCIAL POSITION

31, 1960 With Comparative Figures as of January 2, 1960

	December 31, 1960	January 2, 1960
Working Capital and Other Assets (Brought Forward)	$302,214,257	$293,611,877
Deduct:		
Debentures payable — long term	34,931,000	42,049,000
Preferred stock of Canadian subsidiary held by public — par value	8,397,400	8,724,300
	43,328,400	50,773,300
Stockholders' Equity	258,885,857	242,838,577
Deduct:		
4.30% convertible preferred stock (cumulative) — par value $100 per share — authorized and outstanding 16,101 shares	1,610,100	2,145,700
4% preferred stock (cumulative) — par value $100 per share — authorized 470,840 shares — outstanding 246,696 shares (after deducting 3,772 shares in treasury)	24,669,600	25,612,800
	26,279,700	27,758,500
Common Stockholders' Equity	$232,606,157	$215,080,077
Consisting of:		
Common stock — par value $1.66⅔ per share — authorized 27,000,000 shares — outstanding 12,433,290 shares (after deducting 45,964 shares in treasury)	$ 20,722,150	$ 20,599,037
Additional paid-in capital	59,385,061	58,085,249
Net income retained in the business	152,498,946	136,395,791
Common Stockholders' Equity	$232,606,157	$215,080,077

Of the unissued common stock of the Company, 105,007 shares are reserved for conversion of the 4.30% preferred stock.
In addition, 338,552 shares of common stock are reserved for issuance to officers and employees pursuant to a restricted stock option plan, under which options to purchase common stock may be granted to officers and employees of the Company and its subsidiaries, as determined by the Board of Directors, in consideration of agreements not to terminate their employment before fixed dates. All matured options become void unless exercised within three months after employment terminates, with one year extension on employee's death, and in any event after December 31, 1961 as to those granted under the original plan, approved in 1951, and after December 31, 1967 as to those granted under the approved 1957 supplement to the plan.

At the beginning of the year options for 208,932 shares were outstanding at a total option price of $5,817,521. During the year, options for 43,600 shares were granted at the option price of $36.5625 per share; options for 38,980 shares were exercised at a total option price of $757,281; options for 1,500 shares (which are subject to reallocation) became void due to termination of employment; and no changes occurred in the exercise prices of outstanding options. At the end of the year options were outstanding for 212,052 shares, of which 3,252 shares are exercisable at $11.292 per share; 1,500 at $15.125; 7,250 at $21.896; 36,950 at $26.084; 33,300 at $25.625; 53,700 at $32.125; 22,600 at $39.3125; 9,900 at $36.6875 and 43,600 at $36.5625. The unoptioned shares available for the granting of options at the beginning and end of the year were 168,600 and 126,500, respectively.